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SUBJECT: BULGARIA AND RUSSIAN INFLUENCE: SHIFTING TRENDLINES

Classified By: Ambassador Nancy McEldowney for reason 1.4 (b) and (d)

¶1. (C) Summary: Bulgarian public opinion is consistently positive toward Russia for several reasons: shared culture, language and religion; a popular mythology about Russia "liberating" Bulgaria from Ottoman Turkey; and shady business connections. Russia also wields influence with a generation of old-think officials and, more worrisome, with Moscow-trained cadres in the intelligence services. At the same time, Bulgaria's strategic orientation as a NATO and EU member and developing market economy is increasingly driving society in another direction. Ordinary Bulgarians are voting with their feet -- westward. Business, trade, travel, and education are all trending to the EU and the United States. We have many tasks ahead here to help Bulgaria complete its post-communist transition, but the younger generation overwhelmingly looks to Europe and the United States for Bulgaria's future. End Summary.

¶2. (C) Unlike other former east bloc nations, Bulgaria never suffered a Soviet military invasion or occupation. That fact, combined with gratitude for Czarist Russia's help in Bulgaria's liberation from the Ottoman Empire, prompt Bulgarians to give Russia high marks. In a recent opinion poll, Russia (75 percent positive rating) ran neck to neck with the EU (78 percent), out-pacing the United States (53 percent, still high in comparison elsewhere in Europe). However, as this post communist society continues its transition, there are significant trendlines that are shifting westward.

EDUCATION

¶3. (SBU) During the Cold War, Bulgarians consistently sought academic degrees from Russian institutions. That was then. Today, Bulgarians are overwhelmingly choosing to study in the West. In the 2006-2007 school year there were over 13,000 Bulgarians studying in Germany and 3,500 studying in the United States. Considerable numbers study in France (3,000) and the UK (800). By contrast, only 400 Bulgarian students chose to study in Russia in 2006-2007. In 2007, over 650,000 young Bulgarians were learning English as a second language, while only 185,000 were studying Russian. Over 12,000 high school students are enrolled in Junior Achievement and an average of 10,000 participate in summer work and travel in the United States each year. For the young, the west is the place to be.

TOURISM AND IMMIGRATION

¶4. (C) Bulgaria's demographic trends are dire; Eurostat figures indicate that the population will shrink dramatically over the next 20 years. Reduced from more than 10 million in the 1980's to about 7.6 million today, Bulgaria has a relatively large diaspora which has chosen west over east.

According to the Bulgarian Embassy in Washington, there are more than 300,000 Bulgarians living in the United States. Another 300,000 Bulgarians live in Turkey (mostly ethnic Turks), 230,000 live in Greece, 180,000 in Canada and 114,000 in Spain. By contrast, according to the last Russian census (2002), there were only 32,000 Bulgarians living in Russia. Bulgarian tourists also choose points west over east: between 25,000 and 30,000 Bulgarians visit the United States each year. Taking advantage of visa-free travel, many more visit European destinations. In 2007 about 20,000 Bulgarians visited Russia, ranking it only 19th among the most visited places. Many Russians visit here (187,000 visas issued in 2007) taking advantage of warm beaches and cheap prices (when Russia was flush with petro-rubles), but it is western Europeans that are the coveted real estate investors and visitors, with "ugly Russian" images often prevalent given the boorish and over-bearing behavior.

TRADE AND INVESTMENT

15. (C) Russia has a stranglehold on Bulgaria's energy sector. Seventy percent of all energy resources, including nearly 100 percent of Bulgaria's gas, oil and nuclear fuel, come from Russia, resulting in a lopsided trade deficit. But, putting aside energy, statistics show a weak Russian performance elsewhere in the Bulgarian economy. Russia ranks behind Germany, Italy and Turkey as a trade partner, and its product mix is nearly non-existent -- in 2007 energy and metals accounted for more than 90 percent of Russian exports to Bulgaria. In other words, trade ties between Russia and Bulgaria may be a mile deep in the energy field, but they are

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only an inch wide in the economy as a whole. Bulgarian manufacturers are increasingly gearing their products -- and business relationships -- to the West.

16. (C) When it comes to retail impact, Russia lags far behind. Greek firms dominate in banking and financial services; U.S., German and UK firms dominate in the IT sector; Greek and U.S. firms dominate in retail electronics; European firms dominate clothing, grocery, construction goods and supply centers. Japanese, U.S., and German firms have huge swaths of commercial and industrial machine tools, construction equipment, and manufacturing. When one adds the 13 billion or so Euros that Bulgaria could receive in EU funds through 2013, the scope and depth of Bulgaria's slow integration in Europe's economy will increase.

COMMENT:

17. (C) The indicators above, coupled with the sheer gravitational pull of EU and NATO-originated demands on Bulgarian time and resources, will draw Sofia's attention towards Brussels and beyond. The estimated USD 13 billion in EU funds that Bulgaria is scheduled to receive by 2013 (if it can overcome persistent rule of law issues) will further focus Bulgaria westward. The positive influence that those transatlantic relationships will have on Bulgarian society over time -- from improving rule of law to offering more economic opportunity -- may end up luring back a tide of Bulgarians who "voted with their feet" and moved west. Bulgaria made a strategic decision to follow the transatlantic path when it joined NATO and the European Union. So while Russia still holds an allure for the elderly, uneducated and rural poor, Bulgarians increasingly look, travel, and work with an eye on the West and educate their children accordingly. Through greater engagement in areas where the trendlines are in our favor, we can help ensure Bulgaria does not look back.

McEldowney